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Report Highlights:

MY04 imports are forecast at 1.1 MMT (5.0 million bales) and production is forecast at 6.8 MMT (28.2 million bales). The United States is expected to remain the dominant source of cotton imports. The textile industry is expected to continue expanding at a healthy pace. Stocks are expected to remain tight.

Includes PSD Changes: Yes
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Executive Summary

Production during MY04/05 is forecast to reach a recent record of 6.2 MMT due to a 12.5 percent increase in planted area and an expected return to normal yields. Excessive moisture last year severely suppressed yields in several major growing areas. This sharp increase in production is expected to reduce total imports to 1.1 million metric tons (MMT). The booming textile sector will absorb some of the increased domestic production, but stocks are forecast to remain very tight. The State Reserve stocks are estimated to be practically nothing. If Reserve officials decide to replenish their stocks, imports may exceed Post's forecast.

Production

Overview: MY04/05 production is forecast at 6.2 MMT. Planted area is forecast to increase 12.5 percent over MY03/04 to 5.75 MHa. This is on top of last year's 22 percent increase in planted area. The total production forecast is based on average yields. Some sources are forecasting even higher planted area. It is Post's view that these forecasts are excessive. The government is pressuring farmers to plant more grains and less cotton to rebuild the low grain reserves. Although the provincial Agricultural Bureaus have few real policy tools to force farmers to plant less cotton, there have been a number of well-publicized, nominal cash subsidies and agricultural tax reduction programs to farmers who comply. The qualification details of these programs are less well publicized. Perhaps more important than these nominal subsidies are farmers' memories of past low cotton prices that followed high prices the previous year. Many small farmers, especially in Shandong province, are afraid to "put all their eggs in one basket," so they will diversify their plantings. Also, Shandong farmers recall last years' flood-related losses and quality problems that were not totally offset by the high cotton price. These cautionary factors aside, as the table below shows, cotton still is one of the most profitable crops farmers can grow.

Post's estimates for MY03/04 and MY02/03 are consistent with current USDA official estimates. It should be noted, however, that several industry sources opined that the MY03/04 production estimate, 4.87 MMT, which is based on China's National Statistics Bureau (NSB) data, is higher than what was actually produced. For the sake of consistency, Post accepts NSB's data.

Xinjiang will remain the dominant cotton-producing province, followed by Hebei and Shandong.

Planted Area – It is not a question of whether planted area will increase in MY04/05 -- it is just a matter of how much. There is a healthy divergence of opinions on that point, but most fall in the range of 10-15 percent. The table below summarizes a few of the publicly available estimates:

Table A. A Comparison of Survey Results from Three Official Sources

Source	Acreage forecast (Million ha.)	Percentage Increase from MY03/04
China Cotton Association	5.6 to 5.87	10-15%
MOA	Over 5.53	9.2%
State Cotton Market Monitoring Network	5.82	14%

Among the leading producing provinces, Hebei has the highest growth rate at about 30 percent, followed by Shandong 19 percent. In the Yangtze River Reaches, except Anhui, where very low yields last year prompted farmers to reduce rather than increase planted area, others are to increase with the highest at 23.6 percent in Jiangsu; In Northwest, growth rate for Xinjiang averaged at 8.6 percent with moderate growth for the Production and Construction Corp (PCC).

Also, a reliable source conducted random interviews of Xinjiang and Shandong farmers and found planting intentions would increase by 29 percent and 26 percent respectively. It should be noted that the Xinjiang survey only included farmers on the small non-PCC farms. Official sources forecast planted area on the PCC farms, which account for the bulk of Xinjiang's production, to increase modestly. A few farmers in both provinces said they intend to expand area by reclaiming abandoned marginal land. In Shandong and other provinces, where there is considerable competition among crops for limited land, more land was reserved this year than last year for intercropping (wheat or garlic or onions plus cotton). In the case of intercropping with winter wheat, farmers would have had to set aside land for cotton and other crops last fall.

Fearing excessive expansion of planted area, several government and quasi-government agencies, including CCA, State Cotton and Jute Bureau (SCJB) used the state-run media to remind farmers of the risks related to over expansion of cotton acreage from a global supply/demand prospective.

Also, a meeting of the cotton-related agencies was called to analyze the cotton market and production situation. The meeting concluded that, "... given the high growth of cotton consumption, coupled with the unexpected lower production in MY03, and based on the State Plan for Advantaged Crops, China should develop cotton production smoothly and achieve supply and demand equilibrium by relying on domestic production and make use of global market supplies." Simply put, they concluded that it would be best to let market forces correct any imbalances.

Almost all sources agreed that the price spike that occurred between fall 2003 and now, which averaged between 30 and 50 percent, is driving cotton area expansion. NSB's 2003 annual statistics pegged the price increase at 35.3 percent. According to a media survey, profit for cotton was the highest among all crops in 2003 (see Table 2). Despite this, the government has intensified its efforts to increase grain production through the reduction or elimination of the agriculture tax in major grain provinces, together with special subsidies. Most farmers' planting plans are unlikely to be affected as decisions were made earlier; this is particularly true in provinces where options for various crops are possible.

Table B. The Relative Profitability of Cotton and Grain crops in 2003
[RMB/Chinese Mu (15 mu = 1 HA)]

	Wheat	Rice	Corn	Soybean	Cotton
North	144.03	/	109.51	221.75	809.29
Southeast	/	95.95	/	/	893.31
Central	71.25	172.97	88.02	159.1	678.23
Northwest	88.72	/	217.85	/	728.71

Notes: Out of the 8767 households (farmers) surveyed in four regions, 1681 planted cotton.
Source: *Farmer's Daily*

Yields - As of this writing, sowing is complete in most provinces and the weather was normal throughout the planting period. Based on the average yields in the past five years and post forecast acreage of 5.75 MHa, production is forecast at 6.15 MMT. If one omits the 2003 yield from the average yield calculation, the 2004 crop could reach a recent historic high.

Table 3 China's Cotton Area, Production and Yields from 1999 to 2004

Year	1999	2000	2001	2002	2003	2004
Acreage (1000 Ha)	3,726	4,041	4,810	4,184	5,110	5,823*
Total production (1000 MT)	3,829	4,417	5,324	4,916	4,870	6,236**
Average Yield (MT/Ha)	1.028	1.093	1.107	1.175	0.953	1.071
*Unofficial government forecast published in newsletter.						
**The production for 2004 is Based on the recent five years average yield at 1.071 MT per hectare.						

Most industry insiders and experts opined that NSB's production estimate of 4.87 MMT for MY03 announced by NSB was believed on the high side by. Average yield dropped to about 953 kg per ha, the lowest in the past five years. Yields in Henan and Anhui were especially hard hit – they plummeted by 58.5 percent and 41 percent respectively; Jiangsu and Shandong also recorded lower than average yields. Excessive moisture in the early growing and maturing periods attributed to the poor harvest. In MY03, marketing of the new crop was delayed for nearly twenty days due to abnormal weather. Except Xinjiang, quality declined dramatically compared to the previous year.

Production Practices and Inputs -- Field agronomy practices continued to improve last year. Seedling transplanting was used on 95 percent of the planted area and plastic film covering reached 44 percent. In Xinjiang's state-run PCC farms, high planting density, standardized varieties planted on a relatively large scale, together with improved irrigation systems, have reduced water wastage and ensured stable yields. Non-PCC farms, however, produced lower yields, mainly due to scrimping on fertilizer use and other less than optimal field management practices.

The current forecast area also is achievable in terms of agriculture inputs. There were reports saying seed shortage caused by excessive moisture last year resulted in 50 percent supply gap in the Yellow and Yangtze Rivers Reaches. Recent survey and Post's field interviews indicate that the seed situation was not as tight as reported, because of good seed production in Xinjiang. Total seed available exceeded 120,000 MT in Xinjiang, while the estimated total national demand is 220,000 MT. Seed traders reportedly anticipated increased demand this year so they started marketing seeds earlier than usual. A MOA official indicated the cottonseed supply could be somewhat tight but not for the leading producing provinces. A newly released survey result showed 94.7 percent of the surveyed samples met MOA's cottonseed quality standard, which was 6.3 percent higher than last year. Other materials, such as fertilizer, were in ample supply, although farmers complained about high prices. In response these high prices, NDRC issued a circular in mid-March to curb the price surge for fertilizer and chemicals. The circular contained authorized resumption of a tax rebate to fertilizer producers and imposed an ex-factory price ceiling for fertilizers.

Transgenic Bt cotton planting continued to take more ground in MY03 and is expected to expand further in MY04. However, it remains difficult to predict the real area share of Bt

varieties. Although only officially approved for planting in four provinces, in fact, it is grown much more widely. Consequently, estimates for BT cotton coverage vary from as low as 22.4 percent to over 70 percent. According to China Academy of Agricultural Sciences (CAAS), government-approved BT varieties covered around 1.15 MHa or 22.4 percent of total cotton planted area in MY03, of which 5 US BT varieties were planted on 0.885 MHa, representing 76.8 percent, in comparison to 23.2 percent for domestic BT varieties. China Textile News reported over 70 percent of the area was planted to Bt varieties (domestic and imported varieties) in MY03, out of which domestic Bt varieties were planted on about 1.33 MHa, or 26 percent of the total planted area. Official sources estimated that Bt varieties covered around 50 percent of the MY03 national acreage, and it is expected to grow in the foreseeable future. Regular and crossbred varieties dominate and continue to increase. In terms of regional distribution, one official source said that Bt varieties covered 90 percent and 80 percent in the Yellow and Yangtze River reaches respectively. In Xinjiang, BT cotton was rarely planted. Local farmers showed little awareness and said the prevailing varieties require 3 to 4 chemical applications per season, mainly targeting aphids. On the other hand, there is report saying the government decided not to plant BT cotton in Xinjiang because it's less useful as compared with other provinces. Additionally, there are reports saying China's Bt cotton breeders started joint projects with Indian firms to promote their Bt varieties abroad.

CAAS complained that many varieties labeled as "Bt cotton" have entered the market recently without proper evaluation and approval. This puts pressure on breeders and reflects badly on the overall reputation of BT cotton. Experts appealed for strict measures to regulate the evaluation and market access for such varieties.

In MY03 19 percent more farmers bought cottonseed from market/seed agents than in MY02. The total reportedly is up to 56 percent. Utilization of seeds from the prior years' crop and seeds supplied by government-designated agents is declining.

Manual harvesting is likely to continue in the near future because labor costs are low and small plot sizes. Furthermore, China's current production and processing system is totally geared for hand picked cotton.

Cotton Quality - According to textile industry sources, cotton quality in MY03 was worse than in MY02 because the foreign fiber content increased. Some mills complained that even PCC cotton from Xinjiang, which normally is quite clean, contained above normal content of trash and foreign fibers. This quality decline can be attributed to the tight cotton supplies.

Colored Cotton -- Area planted to colored cotton was estimated at about 15,000 hectares in MY03. One company located in Xinjiang is the leading player in developing varieties and producing such cotton. Production was estimated at less than 10,000 MT in MY03. Problems such as fiber quality, limited color range, and lower yields than normal cotton are hampering further development of this specialty sector.

Consumption

Consumption is forecast to increase to 7.1 MMT from 6.8 MMT in MY03/04. This is a 4.4 percent increase, which is consistent with the estimated 4.6 percent growth between MY02/03 and MY03/04. The textile industry continues to expand. The high consumption in MY03 was driven mainly by the skyrocketing exports of textile products. According to China Textile Industry Council (CTIC), China's textile and apparel products exports were valued at US\$80.5 billion in CY03 -- up by 24 percent as compared with CY02. While cotton textile products exports value reached US\$10.8 billion, increased by 29 percent compared to CY02. In CY03, exports to ASEAN, EU markets surged by 48 percent and 43 percent respectively, followed by US with 28 percent growth rate. The textile industry has continued to grow in the

first quarter of CY04, in particular to the U.S. market. Textile apparel exports during the period reached US\$19.3 billion, which is 25 percent more than during the first quarter of CY03. Encouraged by the prospects of elimination of quotas from 2005, investment in textile sector continues to boom. According to NDRC's Feb 2004 Economic Report, investment in textile industry for the first two months of 2004 surged by 144 percent as compared to the corresponding period of the previous year. On the other hand, the continued high GDP growth rate of 9.1 percent boosted domestic demand for cotton textile products as well. Yarn production was estimated to increase by 10 percent to reach 9.7 MMT in MY03. Some industry insiders, however, anticipated the cotton textile sector's high growth rate might fall in MY04. A portion of the high cotton prices since CY03 will have to be passed along to textile consumers, which ultimately will reduce sales in MY04. The mills, however, will have to absorb a portion of the cost, which will reduce their profits. The reduced tax rebate (from 17 to 13 percent) effective from January 01, 2004, eroded profits for the sector and reduced the competitiveness in global market. Meanwhile, a Cncotton.com survey conducted in March 04, showed a declining trend of proportion for cotton fiber in January and started to grow in March (see detailed discussion below). Moreover, the safeguards imposed by major importers also will have a direct negative impact on cotton consumption. Post's MY04 consumption forecast of 7.1 MMT takes these factors into account.

Fiber Content - Man-made fiber production reached 11.6 MMT in 2003, up by 17 percent as compared to 2002, representing about one-third of the world's total. The growth rate was 5 percent higher than that of yarn production at 12 percent. A well-informed industry source said man-made fiber accounted for 65 percent of total fiber production in 2002 and it could be even higher in 2003, though no specific figure is available. Some 55 percent of man-made fiber was used for apparel manufacturing in 2002, and was expected to have gone up in 2003 partly due to continued high cotton prices. It is difficult, however, to estimate to what extent the high cotton price affected the man-made fiber's share in textile manufacturing. A survey conducted in Jan 04 by Cncotton, found that 65 percent of the interviewed mills reported reduced cotton consumption in the last quarter of 2003. The reason was said to be restructuring products or man-made fiber substitution. A survey carried out in March 2004, indicated the percentage of mills increasing the use of man-made short fiber was higher than those of cotton. Obviously, even a one percent increase in the use of man-made fiber in textiles would result in a significant reduction in cotton consumption. This is consistent with what several large textile manufacturers told Post in early April 04.

More Spindles - As of the end of 2003, China's total spindles were estimated to exceed 60 million, up by 10 million over 2002, according to official media quoted NDRC source. The estimated 10 million new spindles mainly invested by private sector were put into operation before the end of 2003. These newly installed spindles are technically advanced imposing pressure on the existing mills (mainly SOE). Spindle expansion was characterized by concentration on the coastal areas and privatization. Several large players in Shandong and Jiangsu provinces exceeded one million spindles. The high growth of spindles was accompanied by a surge in investment in the textile sector in 2003. The total investment hit US\$6.6 billion, up 74 percent over previous year and similar growth has continued in the first two months of 2004. Fiber consumption per capita also rose to 10.8 kg in 2003, slightly above the world average.

Trade

Imports - Imports for MY04/05 are forecast at 1.1 MMT. This is 39 percent less than Post's MY03/04 estimate. Most of the decrease can be attributed to the sharp increase in China's production. Despite the decrease, the United States is expected to remain the dominant supplier. The rapid increase of imports in MY03 was a direct consequence of textile industry's

strong growth, which drove up cotton consumption to a record level. At the same time, domestic production was sharply lower as a result of too much moisture in several leading producing provinces, where yields hit five-year lows. As for forecast imports in MY04, most industry sources believe consumption would grow moderately. A return to normal domestic production will also create uncertainty for imports until farmers' planting intention become clear. Another important factor is what level of ending stocks the government intends to maintain. The lack of reserve stocks, which limited the governments ability to manage last year's price spike, might prompt China to raise the current low reserve stocks to more comfortable levels. Taking all these factors into account and assuming normal weather and yields leads to a forecast of 1.1 MMT of imports in MY04.

Origins of imports in CY03 remained similar to those in CY02, with the United States and Uzbekistan as the top suppliers. Among the other suppliers, imports from Cote d'Ivoire have grown in the first quarter of CY04. Along with the rapid increase of imports, however, complaints about the quality of imported cotton reportedly grew as well. Many merchants opined that these problems were commercial issues, and to a certain extent caused by the differences between the U.S. and Chinese classification systems.

Exports - Exports are and will remain insignificant into the foreseeable future. China needs all the cotton it can get – it has little left over to export, except during certain market anomalies.

Stocks

Stocks currently are very tight and are forecast to remain tight in MY04/05. Post estimates ending stocks for MY03 will be 1.5 MMT, while ending stock for MY04 to be 1.62 MMT, depending on mainly the domestic production and how much China will replenish its State Reserve. The large Chinese crop is expected to attribute to a nominal increase in MY04/05 ending stocks. Although estimates from different sources vary widely, most sources forecast ending stock for MY04 will increase to 1.7 MMT, up by 8 percent over MY03. As indicated above, it is widely believed that the State Reserve was nearly empty prior to the harvest and therefore had no means to regulate the market when domestic prices spiked. This led to increased imports.

According to well-informed sources, stocks on September 1, 2003, were estimated at 1.57 MMT, in addition to 4.87 MMT domestic production and estimated imports of 2 MMT as of end of August 2004, making the total availability of 8.44 MMT. Based on a total consumption of 7 MMT plus 50,000 MT of exports, ending stock at the end of August would be 1.39 MMT, and the stocks to use ratio stood at 19.9 percent. In a Cncotton.com survey released in March 04 by, stocks at mills remained low -- 36 percent of respondents reporting stocks at less than 20 days use.

The stocks:use ratios are 25 percent, 22 percent, and 21 percent for MY02/03, MY03/04, and MY04/05 respectively.

Policy

Reform of Cotton Classification System - In early 2003 China announced it would overhaul its cotton classification system. The proposed cotton classification reform scheduled to be effective on January 01, 2004 as reported in Post's 2003 annual cotton report (GAIN Report#[CH3092](#)) is postponed. Among the changes they are considering are using the U.S. bale size, establishing a national database to track each bale of cotton, and revising the testing methods for its cotton classification.

Officials said this delay was because the preparation work had not yet been completed. Trial reform, however, is to be implemented in selected facilities comprising eight cotton-processing entities and eight classification agencies. These facilities are mainly located in Xinjiang, Henan, and other leading producing provinces. They are requested to install new international standardized baling machinery and equipped with HVI laboratories. A final list of facilities entering the trial implementation will be announced after being checked and accepted by State Cotton Classification Reform Leadership Group in Aug 04. Trade contacts' opinions varied on how long it would be before the new classification system would be fully operational. Some said it might take as long as ten years, while one larger merchant said it could be operating soon. The China Fiber Bureau, the key player in this reform, expressed a strong interest in learning more about the US classification system. They thought that it was not only the physical aspects of the reform would take time to change, but also the management system. Post opined more communication in this regard would facilitate a more international accepted China's classification reform. In January 2004 a delegation of Chinese Fiber Bureau officials visited USDA's Agricultural Marketing Service (AMS) to exchange information on cotton classification systems.

Update on Neps and Short Fiber Regulation - Also, China has delayed enforcement of an amendment to its upland cotton standard, GB-1103-1999. It was scheduled to enter into force on Jan 1, 2004. The amendment, which was notified to the World Trade Organization on August 9, 2002, as document G/TBT/N/CHN/7, proposes to limit the short fiber content in standard grade upland cotton to less than or equal to 12 percent but not greater than 20 percent. It also prescribes procedures for settlement of claims for short weight and downgrading when the short fiber content is not in accordance with the standard. The amendment also adds three supporting technical standards: 1) GB/T 6097-1985 *Sampling Cotton Fibers for Testing*; 2) GB/T 6098.1-1985 *Test Method for Length of Cotton Fibers – Roller Analysis*; and, 3) GB/T 6103-1985 *Test Method for Flaws in Raw Cotton*. Although enforcement of the amended regulation has been delayed until an unspecified date, it remains a source of concern to U.S. cotton exporters because U.S. cotton is machine picked, which tends to result in higher short fiber content and more foreign material, whereas Chinese cotton is hand picked, which reduces the short fiber content and foreign material.

Production Policy - In general, government took a flexible policy approach toward cotton production and encouraged production based on MOA's Regional Plan for Agriculture Products announced in February 2003. The Plan identified three major cotton regions with the greatest growth potential and designated them as primary cotton producing regions. They are: 1) The Yellow River Basin; 2) the Yangtze River basin; and, 3) the Northwest region, including Xinjiang. However, farmers' intentions to plant cotton instead of grain worried government policy makers that grain production would decline even further. Grain area has decline over the past several years as farmers generated little from grain cultivation. Therefore, the central government repeatedly stressed that grain area should be guaranteed. Several measures, such as subsidized seeds and reduction or elimination of the agriculture tax were implemented to stimulate grain production. Given the limited land availability, in the short term, cotton area is most likely to be relatively stable in line with MOA's Regional Planning.

Tariff Rate Quota Administration - China's WTO commitment requires it to provide a tariff rate quota (TRQ) on imported cotton. The committed TRQ of 894,000 MT for CY04 was distributed a few days earlier than usual, due to market pressure in the last months of CY03, though a total of 500,000 MT extra TRQ was issued in September of CY03. Furthermore, in early CY04, in an apparent attempt to alleviate the domestic cotton shortage caused by a poor harvest and high growth of cotton consumption, China's added 1 MMT of TRQ and distributed it all at the same time. It is worth noting that on September 27, 2003, NDRC and

the Ministry of Commerce (MOC) issued the Interim Measures for TRQ which stipulated the two categories A (general trade) and B (processing for export) for cotton were removed in TRQ distribution for CY04 (unofficial translation as GAIN Report#CH3128). This could have positive effects on imports, although one large mill told Post this change has little impact on its importing business, because most of its products are exported anyway. Nevertheless, trade sources reported that, in reality, an unwritten percentage was still marked as "processing for export" in all TRQ distribution for CY04. As a result of the April 2004 Joint Commission on Commerce and Trade (JCCT) bilateral discussions, NDRC agreed to comply with its WTO commitment to release the names of TRQ recipients. TRQ distribution details remained a "secret" because, according to NDRC, TRQ recipients consider the exact quantities each company received as confidential.

With regard to the TRQ after 2004, there is wide speculation within the industry as to whether the government will keep or totally eliminate the TRQ. Most believe the government will and should eliminate TRQ completely. The government, however, worries that a complete removal of TRQ will hurt China's cotton farmers. One industry media source, however, quoted an official source who indicated, that, although the TRQ would remain after CY04, a more flexible approach would be taken when domestic supplies become tight. (NOTE: China's WTO commitment does NOT mandate elimination of the TRQ in Jan 2005. This is a widely held misconception, most likely resulting from the fact that the TRQ's for many other commodities are eliminated on that date. China's WTO commitment requires it to provide a TRQ for 894,000 MT. This does not increase after Jan 1, 2005. See Table 17.)

Marketing

Liberalization Continues - Cotton marketing was further liberalized in MY03 and, assuming China abides by its WTO commitments, further liberalization and increased competition can be expected in MY04. In general, competition among buyers became fierce in MY03. More new buyers competed for limited cotton supplies. These factors attributed to irrational purchasing rush in major producing provinces. CCA statistics showed that as of the end of CY03, the number of gins reached 8,800. In Xinjiang, ginning capacity exceeded 3.16 MMT, over doubling the yearly production. Most of gins are of small scale with several thousand tons in capacity. Mixed grade was popular in some gins. Some local governments were said to have taken measures to halt approval for establishing new gins in CY04. The traditional larger players, especially the Cotton and Jute Corporation (CJC), continued to play an important role, although they may have lost market share to newly emerged private traders. In Xinjiang, for instance, the CJC still dominates with about 78 percent market share. Furthermore, the PCC still maintains a *de facto* monopoly on cotton marketing activities. In other provinces, purchasing was more diversified with relatively high market share by non-CJC traders. Usually CJC's enjoy loan advantages from state owned banks. According to CCA, in MY03, the Agriculture Development Bank of China (ADBC) lent a total of RMB11.6 billion (US\$1.4 billion) to cotton merchants, mainly CJC's. This declined by 36 percent compared to previous year. In fact, cotton prices were far above the loan ceiling stipulated by ADBC, so additional funds were necessary for purchasing, making ADBC loans less attractive. Many merchants used other funds, such as commercial loans. Farmers hoarded cotton hoping for even higher prices and lax quality checking made the purchasing rather slow in MY03. Competition between CJC's and other merchants has become fiercer and the latter often enjoys the upper hand because they usually are more efficient. It is expected that with the support of the government, some CJC's, and even some private traders, will emerge as larger players through restructuring and merging. Some foreign merchants have expressed interest in entering domestic cotton marketing because they thought that China's WTO commitment approved market access starting in 2005. Some U.S. cotton exporters expressed concern that the proliferation of cotton buyers is making selling cotton in China

more risky because they don't know these new buyers and they are worried about the buyers' credit worthiness and limited experience in international transactions.

Transportation Bottlenecks – Transporting cotton out of Xinjiang remains a problem. This perennial problem is not expected to be solved anytime soon simply because the out-going cargos are much more in-coming goods, particularly after harvesting. Anecdotal news said the railway sector usually fulfilled their current year task in every November, any additional job after that will lead to high workload for next year, therefore, from November to the end of Chinese New Year is a bottlenecked period which co-incidents with the peak of agricultural commodities and passengers travel. One trader estimated that nearly ten US dollars extra cost occurred for every month delayed. In MY03, out of the 1.6 MMT cotton, only 0.5 MMT was shipped out as of the end of November. Most of the other 600 - 700,00 MT was shipped out after late January. The transport bottleneck exacerbated the price hike in MY03 in terms of timely delivery of contracted quantity. One industry source, however, indicated there has been limited improvement over the last year or so.

A Futures Market – Preparations for the establishment of a cotton futures market in Zhengzhou Commodity Exchange continue. In a seminar held on March 18, 2004, it was announced that most of the groundwork had been completed and the relevant documents had been handed over to the State Council for final approval. However, nobody could estimate when this approval will occur. An industry source opined that the complicated nature of the issue coupled with a pending classification reform the reason for the slow approval. Moreover, the current spot cash market is not well developed.

Contract Farming - Contract farming" met new challenge in MY03. As the marketing price was much higher than what was contracted, farmers reneged on their contracts in search of better price. This was just the opposite of what occurred before MY03 when cotton prices were weak and the merchants often backed out of their contracts and farmers suffered delayed purchasing, reduced prices, and delayed payment. Experts believe the situation in MY03 was inevitable as cotton farmers lost their confidence from past experience. Some industry insiders opined that establishing farmers association could be part of the solution, but this would take some time. A similar situation might occur again in MY04.

Marketing Assistance - U.S. cotton exporters interested in exporting cotton to China and want marketing advice and assistance may contact USDA/FAS's Agricultural Trade Offices (ATO) in Beijing, Shanghai, and Guangzhou. They can be contacted via email at ATOShanghai@usda.gov, ATOB Beijing@usda.gov, and ATOGuangzhou@usda.gov respectively. Also, Cotton Council International (CCI) is actively involved in promoting U.S. cotton in China and throughout Asia. CCI serves China from its office in Hong Kong. They can be reached via email at cci-hongkong@cotton.org. Both CCI and the ATO's organize events designed to bring U.S. cotton exporters together with Chinese buyers.

Tables

Production, Supply, and Demand (PSD)

Table 1. PSD in Metric Tons

PSD Table						
Country	China, Peoples Republic of					
Commodity	Cotton				(HECTARES)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		08/2002		08/2003		08/2004
Area Planted	0	4180000	0	5110000	0	5750000
Area Harvested	4184000	4180000	5100000	5110000	0	5750000
Beginning Stocks	2745096	2700000	1673011	1642758	1498830	1504758
Production	4920620	4920000	4877075	4870000	0	6150000
Imports	680831	686758	1850676	1830000	0	1100000
TOTAL SUPPLY	8346547	8306758	8400762	8342758	1498830	8754758
Exports	163513	164000	43545	38000	0	30000
USE Dom. Consumption	6510024	6500000	6858387	6800000	0	7100000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	6510024	6500000	6858387	6800000	0	7100000
Ending Stocks	1673011	1642758	1498830	1504758	0	1624758
TOTAL DISTRIBUTION	8346548	8306758	8400762	8342758	0	8754758

Table 2. PSD in Bales

PSD Table

Country	China, Peoples Republic of				(HECTARES)	
	Cotton				(480 LB Bales)	
Commodity	2002 USDA Official [Old]	Revised Post Estimate [New] 08/2002	2003 USDA Official [Old]	Estimate Post Estimate [New] 08/2003	2004 USDA Official [Old]	Forecast Post Estimate [New] 08/2004
Market Year Begin						
Area Planted	0	4180000	0	5110000	0	5750000
Area Harvested	4184000	4180000	5100000	5110000	0	5750000
Beginning Stocks	12608378	12401249	7684232	7545278	6884209	6911437
Production	22600680	22597832	22400675	22368179	0	28247290
Imports	3127094	3154317	8500257	8405291	0	5052361
TOTAL SUPPLY	38336152	38153399	38585164	38318749	6884209	40211088
Exports	751024	753261	200005	174536	0	137792
USE Dom.	29900900	29854859	31500951	31232776	0	32610693
Consumption						
Loss Dom.	0	0	0	0	0	0
Consumption						
TOTAL Dom.	29900900	29854859	31500951	31232776	0	32610693
Consumption						
Ending Stocks	7684232	7545278	6884209	6911437	0	7462603
TOTAL					0	
DISTRIBUTION	38336157	38153399	38585164	38318749		40211088

Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons

Month	2001	2002	2003	2004
January	2,318	1,265	81,308	177,400
February	2,868	672	35,793	291,481
March	5,911	50	35,323	269,209
April	354	2,183	101,866	
May	1,297	9,322	121,475	
June	3,999	17,902	113,453	
July	2,946	30,879	83,161	
August	4,416	18,677	51,059	
September	14,429	14,203	20,867	
October	8,907	24,637	13,059	
November	4,809	18,020	52,906	
December	7,392	38,842	163,330	
TOTAL	59,647	176,651	875,603	738,090
Marketing Year	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	102,226	686,748		

Unit: 480-lb Bales

Month	2001	2002	2003	
January	10,645	5,808	373,448	814,798
February	13,173	3,085	164,397	1,338,772
March	27,148	229	162,239	1,236,477
April	1,627	10,027	467,871	
May	5,958	42,816	557,934	
June	18,370	82,224	521,089	
July	13,531	141,827	381,958	
August	20,283	85,783	234,513	
September	66,258	65,234	95,842	
October	40,911	113,158	59,980	
November	22,087	82,766	242,997	
December	33,953	178,401	750,175	
TOTAL	273,899	811,358	4,012,443	3,390,047
Marketing Year	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	496,422	3,154,278		

Source: PRC Customs Statistics

Table 4. China's Quarterly Cotton Imports by Country of Origin

Marketing Year: 2001/2002

Unit: Metric Tons

Country	Jul-Sep/01	Oct-Dec/01	Jan-Mar/02	Apr-Jun/02	TOTAL
United States	9,565	13,634	616	18,641	42,456
Australia	11,019	6,023	294	0	17,336
Uzbekistan	0	0	0	6,844	6,844
Egypt	925	993	1,005	869	3,793
Benin	0	0	0	1,997	1,997
Cote D'Ivoire	0	0	0	500	500
Tanzania	0	270	0	0	270
Uganda	224	0	0	0	224
Other	58	188	70	556	872
TOTAL	21,791	21,108	1,986	29,407	74,292

Marketing Year: 2002/2003

Unit: Metric Tons

Country	Jul-Sep/02	Oct-Dec/02	Jan-Mar/03	Apr-Jun/03	TOTAL
United States	31,138	40,682	109,213	212,456	393,489
Uzbekistan	9,081	6,088	11,723	58,789	85,681
Benin	12,482	2,597	10,397	15,450	40,926
Australia	4,917	14,733	3,589	4,600	27,839
Togo	400	4,400	1,638	8,486	14,924
Mali	446	999	3,619	4,532	9,596
Burkina Faso	0	620	620	8,192	9,432
Egypt	1,679	968	3,143	2,470	8,260
Other	3,616	10,413	8,482	21,818	44,329
TOTAL	63,759	81,499	152,424	336,793	634,475

Marketing Year: 2003/2004

Unit: Metric Tons

Country	Jul-Sep/03	Oct-Dec/03	Jan-Mar/04	Apr-Jun/04	TOTAL
United States	71,209	11,902	455,151		538,262
Uzbekistan	35,807	7,167	72,779		115,753
Cote d'Ivoire	400	18,909	25,802		45,111
Australia	2,600	13,163	25,855		41,618
Benin	18,700	6,493	14,472		39,665
Burkina Faso	5,022	9,098	21,005		35,125
India	25	1,791	24,885		26,701
Mali	5,978	6,409	7,621		20,008
Other	15,347	47,246	90,520		153,113
TOTAL	155,088	122,178	738,090	0	1,015,356

Source: PRC Customs Statistics

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons				
Month	2001	2002	2003	2004
January	7,574	1,933	13,901	1,150
February	8,668	2,614	17,995	1,323
March	10,014	3,299	17,786	1,151
April	7,683	7,915	12,091	
May	4,700	15,106	7,134	
June	4,778	20,379	5,906	
July	1,869	15,306	5,881	
August	2,414	17,920	5,063	
September	46	17,409	1,970	
October	1,008	12,150	9,791	
November	835	15,847	10,173	
December	1,447	20,037	4,756	
TOTAL	51,035	149,915	112,447	3,624
Marketing Year	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	72,302	164,057		

Unit: 480-lb Bales				
Month	2001	2002	2003	2004
January	34,786	8,878	63,847	5,282
February	39,811	12,006	82,651	6,077
March	45,993	15,152	81,691	5,287
April	35,287	36,354	55,534	
May	21,586	69,382	32,766	
June	21,945	93,601	27,126	
July	8,583	70,300	27,011	
August	11,089	82,307	23,254	
September	212	79,960	9,048	
October	4,629	55,805	44,970	
November	3,835	72,785	46,725	
December	6,647	92,030	21,844	
TOTAL	234,403	688,560	516,467	16,646
Marketing Year	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	332,083	753,514		

Source: PRC Customs Statistics

Table 6. China's Quarterly Cotton Exports by Destination

Marketing Year: 2001/2002

Unit: Metric Tons

Country	Jul-Sep/01	Oct-Dec/01	Jan-Mar/02	Apr-Jun/02	TOTAL
Taiwan	28	31	2,378	21,813	24,250
South Korea	4,411	705	2,038	9,209	16,363
Indonesia	382	903	692	4,634	6,611
Italy	616	644	929	1,286	3,474
Japan	1,148	109	252	576	2,084
Pakistan	0	44	375	1,467	1,887
Thailand	0	0	415	1,194	1,609
Hong Kong	0	3	204	1,190	1,397
Other	226	850	562	2,032	3,670
TOTAL	6,811	3,289	7,845	43,401	61,346

Marketing Year: 2002/2003

Unit: Metric Tons

Country	Jul-Sep/02	Oct-Dec/02	Jan-Mar/03	Apr-Jun/03	TOTAL
Korea, South	10,078	10,164	9,683	9,678	39,603
Indonesia	8,188	10,255	12,782	4,623	35,847
Thailand	5,844	8,451	11,722	4,199	30,216
Taiwan	15,974	9,279	2,861	1,986	30,100
Singapore	0	0	8,585	3,713	12,297
Pakistan	2,790	2,778	310	0	5,878
Italy	1,682	2,604	721	44	5,050
India	1,354	1,631	868	94	3,948
Other	4,726	2,873	2,150	794	10,543
TOTAL	50,636	48,034	49,681	25,131	173,483

Marketing Year: 2003/2004

Unit: Metric Tons

Country	Jul-Sep /03	Oct-Dec/03	Jan-Mar/04	Apr-Jun/04	TOTAL
Thailand	2,777	16,648	224		19,650
Indonesia	3,094	4,919	954		8,967
Korea, South	4,662	1,983	969		7,613
Japan	494	40	826		1,361
Taiwan	563	376	81		1,020
Italy	519	0	173		692
Singapore	406	218	0		624
Vietnam	109	320	0		429
Other	291	217	395		903
TOTAL	12,915	24,721	3,623		41,259

Source: PRC Customs Statistics

Table 7. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons					
Month	2000	2001	2002	2003	2004
January	29,935	29,752	39,953	49,962	57,570
February	22,809	45,629	27,254	37,295	62,846
March	36,184	48,499	54,675	60,884	65,562
April	38,104	49,999	58,569	64,663	
May	39,891	46,408	60,154	63,609	
June	40,252	46,211	56,615	49,654	
July	39,682	44,618	51,374	46,655	
August	41,875	43,527	46,028	49,351	
September	38,564	44,168	50,846	58,487	
October	36,766	38,415	53,324	64,332	
November	41,355	41,762	48,734	64,071	
December	40,125	40,268	49,710	78,893	
TOTAL	445,542	519,257	597,236	687,857	185,978
Marketing Year	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	509,801	556,734	621,364		

Source: PRC Customs Statistics

Table 8. China's Quarterly Cotton Yarn and Thread Imports by Country of Origin

Calendar Year: 2002

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	35,583	65,585	53,051	53,652	207,871
Pakistan	37,531	49,633	45,215	48,378	180,757
India	17,216	19,580	13,721	15,051	65,568
Hong Kong	12,411	17,017	14,402	10,878	54,708
Indonesia	6,878	9,027	7,418	8,591	31,914
Taiwan	3,778	4,384	4,209	4,347	16,718
South Korea	3,493	3,951	3,505	3,605	14,554
Thailand	1,579	2,235	2,669	2,706	9,189
Other	3,411	3,927	4,054	4,525	15,917
TOTAL	121,881	175,339	148,244	151,733	597,197

Calendar Year: 2003

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	50,128	73,350	66,778	93,512	283,768
Pakistan	50,740	48,087	41,753	49,288	189,868
India	13,581	14,424	8,777	17,772	54,555
Hong Kong	11,462	13,817	12,759	13,254	51,292
Indonesia	8,379	9,994	6,273	9,110	33,756
Taiwan	4,233	7,517	8,511	12,287	32,548
Korea, South	4,080	4,681	3,264	4,225	16,250
Thailand	2,343	2,434	2,868	3,251	10,896
Other	145,798	175,492	151,626	204,045	676,961
TOTAL	148,141	177,926	154,494	207,296	687,857

Calendar Year: 2004

Unit: Metric Tons

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	73,684				73,684
Pakistan	53,643				53,643
India	23,948				23,948
Indonesia	8,867				8,867
Taiwan	6,774				6,774
Hong Kong	6,682				6,682
Thailand	4,069				4,069
Korea, South	3,682				3,682
Other	182,295				182,295
TOTAL	185,978				185,978

Source: PRC Customs Statistics

Table 9. China's Monthly Cotton Yarn & Thread Exports

Unit: Metric Tons					
Month	2000	2001	2002	2003	2004
January	12,171	8,898	17,864	22,778	24,906
February	10,256	17,364	15,882	22,279	32,647
March	19,657	22,124	34,106	38,966	40,241
April	20,496	20,526	36,191	43,278	
May	17,475	20,291	36,431	40,906	
June	18,830	20,617	32,693	32,011	
July	16,155	18,468	32,486	33,424	
August	16,916	19,016	29,240	34,522	
September	15,765	21,216	29,765	41,239	
October	16,198	18,345	29,228	41,267	
November	15,258	20,377	27,329	43,512	
December	13,563	18,866	26,682	56,561	
TOTAL	192,741	226,107	347,898	452,747	99,798
Marketing Year	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	205,988	303,473	375,886		

Source: PRC Customs Statistics

Table 10. China's Quarterly Cotton Yarn and Threads Exports by Destination

Calendar Year: 2002

Unit: Metric Tons

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	57,383	91,620	75,111	69,000	293,114
South Korea	2,415	4,206	4,785	3,777	15,183
Myanmar(Burma)	2,225	1,963	2,381	2,191	8,760
Japan	1,735	1,666	1,935	2,259	7,595
Indonesia	650	1,264	1,417	1,572	4,903
Bangladesh	587	693	897	429	2,606
Macau	480	608	820	582	2,490
Malaysia	471	491	201	278	1,441
Other	1,907	2,804	3,944	3,151	11,806
TOTAL	67,853	105,315	91,491	83,239	347,898

Calendar Year: 2003

Unit: Metric Tons

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	69,049	97,351	90,338	121,179	377,918
Korea, South	3,417	4,077	3,970	7,258	18,721
Japan	2,914	3,198	2,717	3,665	12,494
Myanmar	1,857	1,796	2,541	2,039	8,233
Indonesia	1,873	1,553	1,816	1,418	6,659
Bangladesh	424	931	971	737	3,063
Macau	492	899	837	642	2,871
Singapore	675	869	550	370	2,465
Other	3,323	5,520	5,446	4,031	18,320
TOTAL	84,023	116,195	109,185	141,340	450,744

Calendar Year: 2004

Unit: Metric Tons

Country	Jan-Mar	Apr- Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	84,546				84,546
Korea, South	3,830				3,830
Japan	2,071				2,071
Myanmar	1,622				1,622
Indonesia	741				741
Vietnam	700				700
Macau	557				557
Malaysia	513				513
Other	3,215				3,215
TOTAL	97,794				97,794

Source: PRC Customs Statistics

Table 11. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters					
Month	2000	2001	2002	2003	2004
January	114,646	74,907	104,339	112,343	73,589
February	72,997	90,716	73,270	79,579	88,617
March	109,370	115,486	99,602	112,626	110,499
April	119,389	116,217	121,099	116,254	
May	107,306	112,073	111,637	114,310	
June	114,690	107,677	113,295	102,886	
July	111,103	102,452	117,215	103,818	
August	106,684	92,601	107,758	92,108	
September	107,174	107,261	109,480	110,663	
October	116,748	100,888	110,241	115,600	
November	115,679	113,889	124,746	120,834	
December	124,728	117,793	125,801	141,968	
TOTAL	1,320,514	1,251,959	1,318,484	1,322,989	272,705
Marketing Year	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	1,290,540	1,272,889	1,319,841		

Source: PRC Customs Statistics

Table 12. China's Quarterly Cotton Fabric Imports by Country of Origin

Calendar Year: 2002

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	78,880	111,497	101,317	111,937	403,631
China	66,882	96,096	97,293	107,917	368,188
Pakistan	40,766	46,314	43,019	45,433	175,532
Japan	35,628	34,901	31,685	35,621	137,835
Taiwan	29,661	33,755	36,307	33,753	133,476
South Korea	6,443	7,453	8,571	8,143	30,610
Indonesia	2,768	2,859	4,678	6,123	16,428
India	8,733	2,547	2,323	2,223	15,826
Other	7,433	10,596	9,253	9,640	36,922
TOTAL	277,194	346,018	334,446	360,790	1,318,448

Calendar Year: 2003

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	95,590	115,149	107,445	148,767	466,950
Hong Kong	79,951	99,021	81,321	102,404	362,696
Japan	39,890	35,277	31,228	33,231	139,627
Pakistan	36,884	26,281	33,117	34,977	131,258
Taiwan	25,915	30,951	24,653	30,645	112,163
Korea, South	8,666	9,894	11,464	11,631	41,655
Indonesia	4,897	3,700	4,824	3,432	16,853
Macau	3,212	4,880	3,406	3,078	14,575
Other	9,543	8,298	9,132	10,240	37,212
TOTAL	304,548	333,450	306,589	378,403	1,322,989

Calendar Year: 2004

Unit: 1000 Square Meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	95,002				95,002
Hong Kong	70,542				70,542
Japan	37,596				37,596
Pakistan	25,766				25,766
Taiwan	19,215				19,215
Korea, South	9,070				9,070
Indonesia	3,389				3,389
Thailand	3,097				3,097
Other	9,027				9,027
TOTAL	272,705				272,705

Source: PRC Customs Statistics

Table 13. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters

Month	2000	2001	2002	2003	2004
January	213,149	162,477	243,238	340,945	266,477
February	175,305	203,764	205,387	255,225	215,131
March	266,985	256,991	276,775	361,889	357,430
April	264,981	244,005	324,130	405,110	
May	239,557	240,884	292,785	367,592	
June	249,551	219,241	287,557	339,135	
July	201,353	211,146	309,311	329,240	
August	226,711	224,327	319,404	322,999	
September	225,154	259,024	339,919	390,739	
October	231,727	236,242	345,531	378,620	
November	227,746	273,061	367,091	369,244	
December	209,362	269,613	369,102	480,706	
TOTAL	2,731,581	2,800,775	3,680,230	4,341,446	839,038
Marketing Year	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04	Aug/04-Jul/05
TOTAL	2,659,207	3,201,450	4,319,841		

Source: PRC Customs Statistics

Table 14. China's Quarterly Cotton Fabric Exports by Destination

Calendar Year: 2002

Unit: 1000 Square meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	208,071	268,254	271,443	317,268	1,065,036
South Korea	93,604	84,771	73,488	64,237	316,100
Japan	38,956	51,631	84,362	89,159	264,108
Benin	28,490	45,282	49,083	67,727	190,582
Bangladesh	31,358	52,277	42,831	59,104	185,570
United States	33,957	48,801	44,603	33,416	160,777
Mexico	11,483	13,861	20,532	19,566	65,442
Sri Lanka	15,209	10,187	17,291	20,215	62,902
Other	264,236	329,406	364,935	411,032	1,369,609
TOTAL	725,365	904,470	968,568	1,081,724	3,680,127

Calendar Year: 2003

Unit: 1000 Square meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	249,300	286,745	261,330	353,094	1,150,469
Japan	76,262	77,897	73,081	99,674	326,914
Korea, South	70,840	66,377	61,585	97,677	296,478
Benin	55,778	67,773	81,822	74,130	279,503
Bangladesh	46,661	75,484	53,189	70,291	245,626
United States	34,038	47,456	35,200	35,820	152,515
Nigeria	24,166	35,591	35,281	20,381	115,419
Mexico	24,211	27,476	21,958	26,513	100,158
Other	401,015	454,515	441,489	477,502	1,774,521
TOTAL	958,059	1,111,838	1,042,979	1,228,570	4,341,446

Calendar Year: 2004

Unit: 1000 Square meters

Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
Hong Kong	221,978				221,978
Korea, South	58,390				58,390
Japan	56,694				56,694
Bangladesh	47,596				47,596
Mexico	30,650				30,650
Benin	25,805				25,805
United States	23,986				23,986
Gambia	20,701				20,701
Other	353,239				353,239
TOTAL	839,038				839,038

Source: PRC Customs Statistics

Table 15. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
	2000	2001	2002	2003	2004 *
State	4,041	4,810	4,184	5,110	5,823
Xinjiang	1,012	1,130	944	1,055	1,066
Henan	779	858	773	927	953
Shandong	569	720	580	882	1,023
Hubei	318	347	300	355	433
Anhui	308	310	244	390	433
Hebei	307	419	407	581	583
Jiangsu	295	384	311	369	403
Hunan	146	149	119	139	161
Sichuan	70	66	74	47	53
Jiangxi	69			80	100
* Unofficial government estimates published in newsletters and newspapers. This total planted area is more than FAS/Beijing's MY04 forecast (5,750,000 Ha) in this report.					
Production (1,000 MT)					
	2000	2001	2002	2003	2004
State	4,417	5,324	4,916	4,870	6,236*
Xinjiang	1,456	1,458	1,477	1600	
Henan	704	828	765	370	
Shandong	590	781	722	877	
Hubei	304	374	323	325	
Anhui	274	357	337	241	
Hebei	300	419	402	522	
Jiangsu	314	461	363	291	
Hunan	158	190	153	163	
Sichuan	59	30	24		
Jiangxi	68	81	67		
*Based on the recent five year's average yield					

Source: PRC State Statistical Bureau

Table 16. Cotton Tariffs as of January 1, 2004

Description	HS Code	In Quota Duty	Out-of- Quota M.F.N.	V. A. T.
Cotton, not carded or combed	5201-0000	1	40	13
Cotton, carded or combed	5203-0000	1	40	17
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, for retail sale	5207-1000 5207-9000		6	17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5900*		10	17
"	*Except: 5208-2300 5208-4900 90		12 10	17 17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	5209-1100 5209-1200 5209-1900 5209-3100 5209-3200 5209-3900 5209-4100 5209-4300 5209-4900 5209-5100 5209-5200 5209-5900		10	17
"	5209-2100 5209-2200 5209-2900		12	17
"	5209-4200		10	17

Source: PRC Customs Import and Export Tariff, 2004

Table 17. Cotton Tariff Rate Quotas

China's Cotton TRQ:				
Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 mt	894,000 mt	2004
	5201 - 0000	1%	1%	2004
	5203 - 0000	1%	1%	2004
<p>Other terms and conditions:</p> <p>1) STE share = 33% (See Note)</p> <p>2) Staging of TRQ for cotton:</p> <p>Year TRQ quantity:</p> <p>2002 818,500 mt</p> <p>2003 856,250 mt</p> <p>2004 894,000 mt</p> <p>Note:</p> <p>Tariff quotas indicated in the third column are volumes for calendar year 2001. Tariff quota concessions will be implemented according to the date specified in the "Implementation" column. The implementation column indicates the date (referring to 1 January of the year indicated) when the final quota quantity will be achieved. The tariff quota concessions are subject to equal annual adjustments (occurring on 1 January of each year), unless otherwise specified in the "Other terms and conditions".</p>				